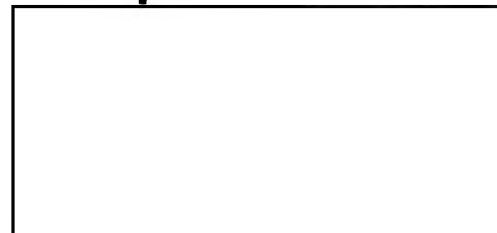


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DIA review(s) completed.

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ISRAEL-SYRIA: Fighting increased again yesterday on the Golan front. [REDACTED]

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[REDACTED]

Damascus claims to have downed two Israeli aircraft, but Tel Aviv claims that all its planes returned safely. [REDACTED]

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[REDACTED]

In a conversation with the US Army attaché in Tel Aviv, Israeli Chief of Staff Gur said that he did not expect the exchanges on Mount Hermon to lead to a major escalation in the fighting. Israeli military authorities say, however, that they have no intention of letting the Syrians complete construction of a road to the top of Mount Hermon. [REDACTED]

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[REDACTED]

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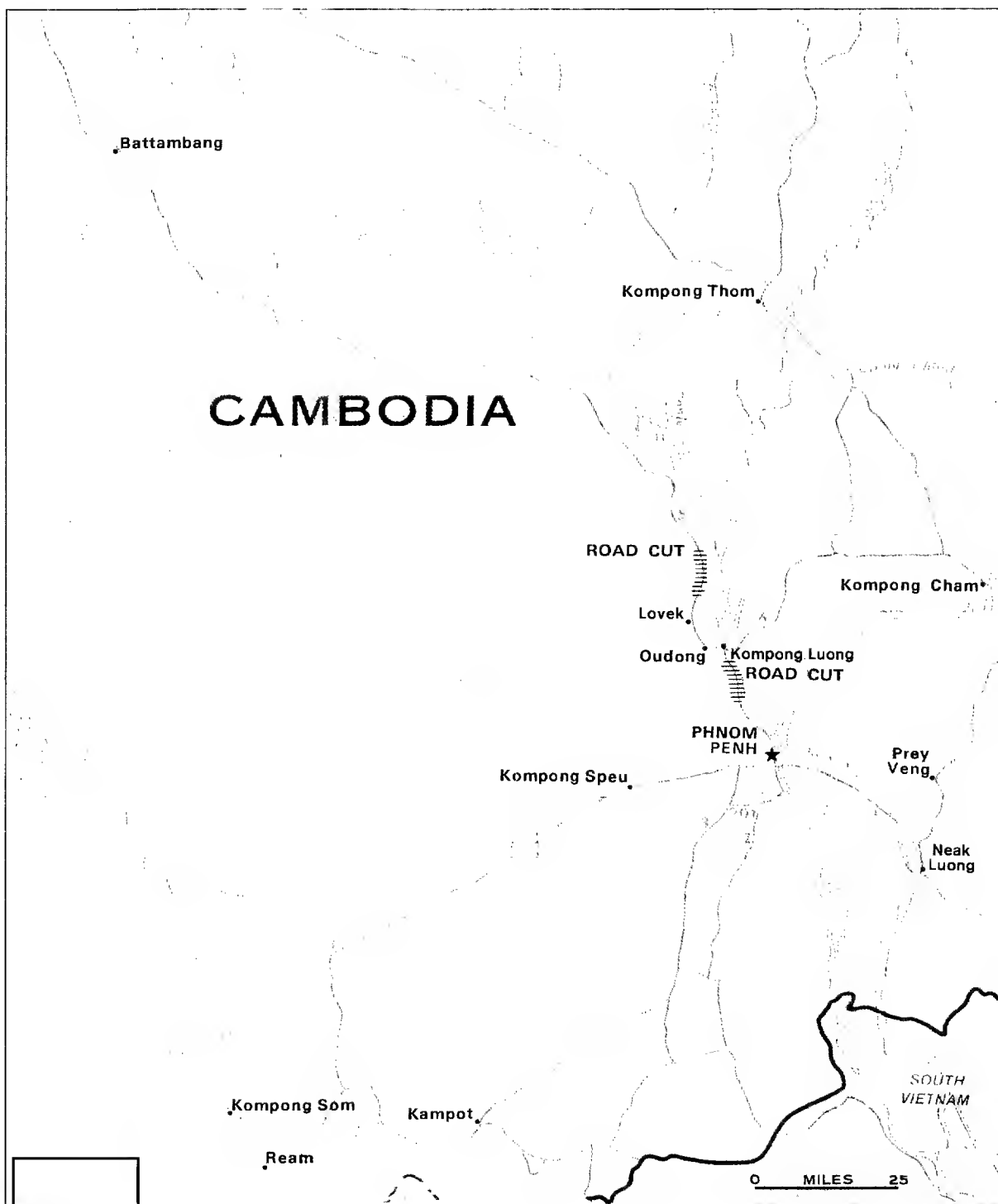
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CAMBODIA: The recent loss of Kompong Luong was more the result of chronic deficiencies in the Cambodian Army than of overwhelming Khmer Communist pressure.

In an effort last month to relieve and later to retake the former royal capital of Oudong, the army high command poured men and materiel into a beachhead at Kompong Luong. The operation was plagued from the beginning by the lack of any clearcut tactical plan and by poor field leadership, compounded by confusing command responsibilities. In addition, Phnom Penh's increasing preoccupation with the defense of Kampot resulted in the diversion of vital air support. Having lost the initiative by default, the 1,900-man government force early this month pulled back to the beachhead, where the Communists harassed it with steady shellings and ground probes.

Besides guaranteeing that the Communists can move supplies freely across the Tonle Sap River in the vicinity of Kompong Luong, the loss of the beachhead will undoubtedly give fresh impetus to the insurgents' campaign against other exposed government enclaves in the countryside.



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EUROPEAN COMMUNITIES: The EC will test US reaction to a plan that would eliminate the official gold price--currently \$42.22 an ounce--in favor of a market-related price for central bank transactions. The proposal represents only an "informal consensus" among EC finance ministers. Some members, including West Germany, still want to try to reach an international settlement before discussing a regional solution to the gold question.

The EC plan would allow settlements to be made among central banks in gold at negotiated, market-related prices. It would also permit central banks to buy and sell gold on the free market, with the stipulation that governments not increase their holdings through market transactions on a year-to-year basis.

Adoption of the EC proposal either worldwide or among European countries would have only a limited impact on the useful value of countries' reserves. The private gold markets are small and the market price would fall substantially if large amounts of gold were sold. Furthermore, an agreement to allow central bank purchases and sales would make it possible for central banks to manipulate the market price in order to obtain the best terms when engaging in gold transactions with other central banks.

Beset by balance-of-payments problems induced by higher oil prices, Rome has been pushing for an agreement that would free its substantial gold holdings. Based on a market price of \$175 per ounce, elimination of the official price would increase Italy's monetary reserves by over \$10 billion. The French, who have also been urging an elimination of the official price, would realize an even larger increase in their reserves at current market prices. Bonn, London, and The Hague have been standing in the way of an EC decision in favor of an international agreement, but diminishing prospects for an international agreement have undermined their position.

(continued)

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Despite the problems involved, the EC will probably adopt a regional solution on gold if it cannot get an international agreement. Italy may need gold to use as collateral against future foreign borrowing; a market-related price would sharply increase the value of such collateral. France may seek a market-related gold price in exchange for agreeing to end the franc's float. Bonn, The Hague, and London are apparently willing to adopt the new gold settlement plan on an EC basis, but only after making a concerted effort to gain US approval.

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ETHIOPIA: The government's orders for a crackdown on strikes and demonstrations will place moderate reformists in the military in the difficult position of enforcing the orders against civilians whose interests they claim to champion.

The government has banned unauthorized demonstrations, threatened striking government employees with prosecution, and directed the armed forces and police to take "all necessary steps" to maintain law and order. This action is an attempt to end two months of turmoil that has severely strained government administration and brought many important public functions to a standstill.

Workers yesterday nevertheless ignored the government's ban. Striking bus drivers and students stoned taxis in Addis Ababa, and highway authority employees reportedly barricaded themselves in the authority's headquarters to emphasize their demands for more pay and the right to form a trade union. Telecommunications workers and printers are still threatening to strike.

The government has not yet ordered the security forces to move directly against the strikers. The security forces probably would attempt to carry out the orders. Such action, however, may put moderates within the military at odds with civilians on whose behalf the army is pressing for broader reforms. The military moderates had hoped that their influence would be decisive in bringing about step-by-step change in Ethiopia's feudalistic society. The moderates, however, have been unable to control events in the face of continuing agitation by civilian groups seeking redress of specific grievances.

Prime Minister Endalkatchew probably concluded he had little to lose by adopting a tough posture. He and other ministers can shift to the police and military the responsibility for ending the unrest set in motion by the military revolt in February

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and by their successful pressure for pay increases. The government can claim that it is doing about all it or any other civilian administration can do under the circumstances and that the reforms demanded by the military can only be carried out if the disorders end.

The government may decide to declare a state of emergency if order is not restored soon. This would leave the military directly burdened with the responsibility for ensuring that civilians adhere to the emergency proclamation. It would also increase the chances of clashes between the army and civilians. [REDACTED]

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USSR: Civilian industrial output in the first quarter of 1974 increased by 7 percent, compared with the same period in 1973, the largest first quarter gain since 1970. These results can be attributed largely to the substantial addition of new productive capacity toward the end of 1973 and to the accelerated flow of agricultural raw materials from the record harvest last year.

Civilian machinery remains the fastest growing sector, mainly because of the strong showing in the output of producer durables. Accelerated production of turbines, oil and chemical equipment, and equipment for the light and food-processing industries boosted the growth rate of producer durables. Industrial support to agriculture remains at the relatively high rate of growth posted in recent years, with agricultural equipment and trucks leading the way. In the energy sector, gas production grew more slowly than planned but this was offset by above plan increases in oil and electric power production.

Food output was up 13 percent over the comparable period last year, led primarily by dairy products, canned goods, and vegetable oil. Meat output also was well above last year's depressed level, but still below the first quarter of 1971--the previous high. Efforts to expand herds are apparently constraining the growth of meat production.

There was no significant change in the production of most consumer durables. Output of furniture, however, jumped by 9 percent. The recent barrage of complaints about poor quality furniture suggests that some of the increased production will remain in warehouses.

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*PORTUGAL: A military uprising was in progress in Lisbon early this morning, according to the state-supported news agency. Troops have blocked access to the Army Ministry and, according to one press report, a group calling itself the Armed Forces Movement has taken over a radio station. It is not clear at present who the forces represent, or the extent of the uprising.

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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